

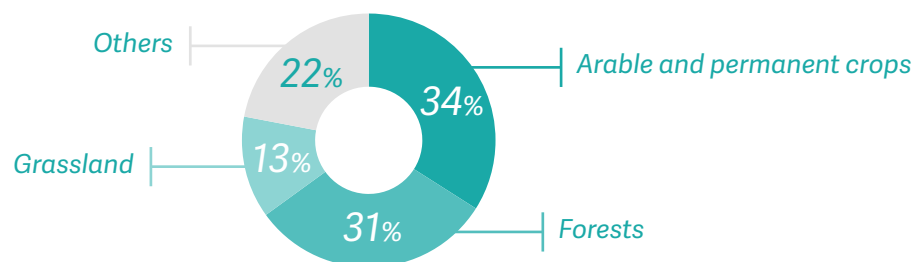
# STRUCTURAL CHANGES IN GERMANY AS A RESULT OF CLIMBING AGRICULTURAL LAND PRICE

Family farms still largely dominate German agriculture, having to adapt to an industry that demands more efficiency and cost-effective production.



The unifying factor is the need for fertile soil though. As with everywhere else in the world, this is a finite resource and Germany is noticing an increase in agricultural land price as a result.

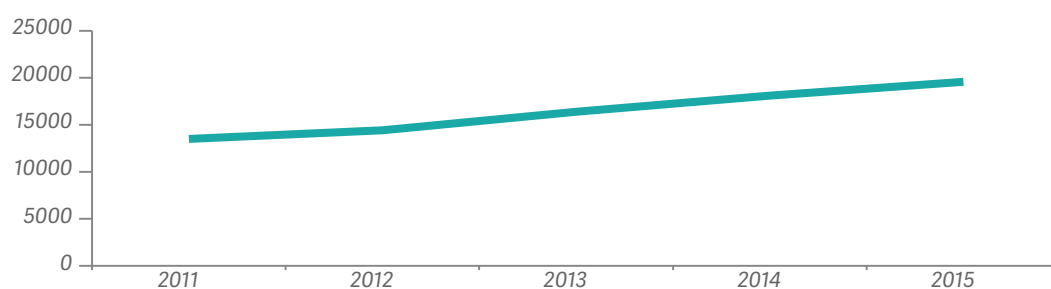
Land distribution in Germany



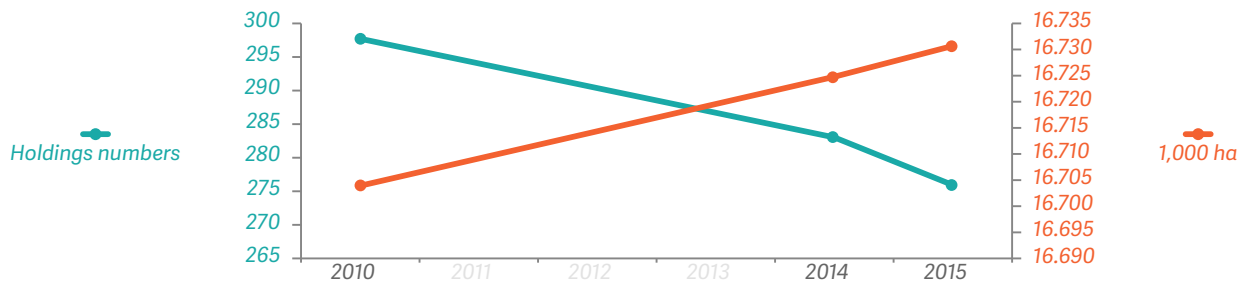
The number of people employed in German agriculture continues to decline, despite an increase in agricultural products. More expensive agricultural land is one of the reasons.

According to Germany's Federal Office of Statistics, agricultural land prices rose by nearly €1,500 or 8.2% to €19,578 per hectare in 2015, when compared to the previous year.

Average purchase price (€ per hectare)



In 2013, 285,000 farming operations cultivated land totalling 16.7 million hectares in Germany. The number of farmers declined by about 5% when compared with 2010. However, the amount of land being used for agriculture remained constant. Average farm size increased from 56 to 59 hectares in the same period.



## But what are the factors contributing to rise in price of agricultural land?



Urbanisation, transport and conservation efforts, which ARE causing increasing demand



Unequal state funding of soil quality and other structures



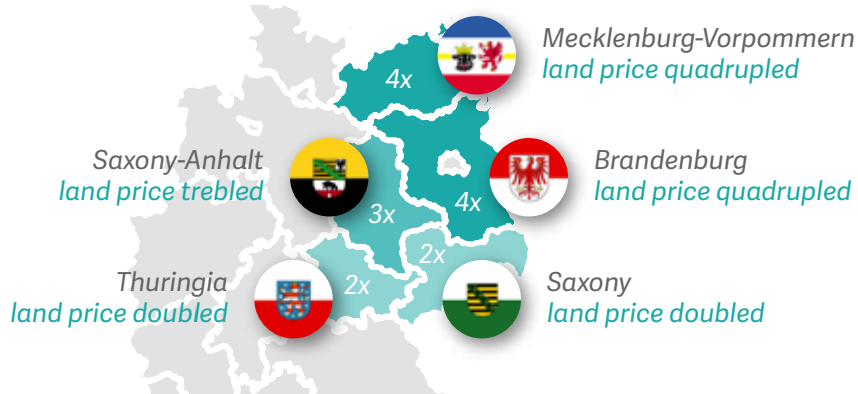
Increased interest of smaller enterprises through land acquisition



Non-agricultural investors buy more land previously used for agriculture

Price changes are even more noticeable in the newer Bundesländer, partly because land price is already relatively low compared with the rest of Germany. The state-owned agency responsible for privatising state-owned farms, Bodenverwertungs- und verwaltungs GmbH (BVVG), has also sold off East German land well above the average price.

## Price development of the newer Bundesländer between 2007 and 2015



## Higher land prices have led to structural changes in German agriculture. So what is the impact of rising land prices?



Enterprises find it more difficult to expand



Increased pressure to adapt to agricultural land use



Less productive farms and organic producers are pressured into selling their business



Higher land prices offer higher investment security, upping interest from large enterprises